



Energy Management Loan Fund Program / Application Information Sheet

A. Introduction

The State Building Energy Management Program (SBEM) of the Division of Capital Projects & Real Property Management, Department of Finance & Administration operates the Energy Management Loan Fund (EMLF) program. This program provides loans to State agencies for qualifying energy management retrofit projects at state owned buildings. Eligibility criteria are explained in Section B of this document. Projects will be selected for funding based upon criteria in Section C. This program is intended to provide loans for small to medium sized energy management retrofit projects, that can be repaid from the utility cost avoidance resulting from implementation of the project.

B. Eligibility Requirements

1. The facility to be modified must be owned and operated by the State of Tennessee, and the energy bills must be paid directly by the State.
2. Agencies should pursue other funding sources for energy management retrofit prior to making application to the Energy Management Loan Fund. This program is not intended to replace or circumvent the normal state budget process.
3. The amount of the subject loan must be at least \$10,000.00 and less than \$500,000.00. (Partial funding of qualifying projects will be considered on a case-by-case-basis)
4. Departments must agree to provide the SBEM access to project sites for monitoring purposes. SBEM may require individual building energy metering and energy consumption reporting as a pre-requisite to loan award.
5. The proposed project may be disqualified if it is not part of an integrated energy management plan for the related facility or if the subject facility is in a poor state of general maintenance.

C. Selection Criteria

The proposed project must meet the following minimum requirements as determined from the data provided in the application form as verified by the project designer/engineer:

1. The primary evaluation criteria is "Simple Payback". Projects with pay-backs of less than one year, should be implemented directly from operating funds since no "additional" funds are required. The "Simple Payback" must be greater than one year and less than 6 years, as determined by the following formula:

$$Payback = \frac{Cost}{Savings}$$

Where: *Payback* = Simple Payback
Cost = Total Project Costs
Savings = Net Annual Savings

2. Application forms must include sufficient detail to permit a thorough engineering evaluation of the proposed project.
3. All proposals meeting criteria 1 and 2 above, will be ranked for funding preference according to the Net Benefit/Cost Ratio as determined by the following formula:

$$BC = \frac{NPVSavings}{Costs}$$

Where: *BC* = Net Benefit Cost Ratio
NPVSavings = Net Present Value of all Future Savings
Costs = Initial Project Cost

The higher the Benefit Cost Ratio, the higher will be the funding preference. In any event, the Benefit Cost Ratio must be greater than one. The discount rate used in all calculations will be 7%. The number of years for the above calculations will be determined from the estimated project life (years) established in the project application.

4. SBEM may allocate up to 10% of available funds to projects which have special demonstration or experimental significance, regardless of Benefit Cost ranking.
5. No project will be funded by this program when the Internal Rate of Return (IRR) is less than or equal to 7%. IRR, also called Opportunity Interest Rate, calculates the opportunity interest rate (discount rate) an investment is expected to yield so that total discounted benefit and costs are break-even. Different life expectations of the investments will not effect the results. This rate is usually calculated by a process of trial and error; that is, the net cash flow is computed for various discount rates until its value is reduced to zero.

D. Program Administration

1. Evaluation/Funding Cycles: Applications may be accepted on a cyclical basis as determined by the demand for funds. SBEM will announce funding cycles, if applicable, to all appropriate departments, and will accept applications for 90 days following the beginning of each cycle. SBEM will be available to assist applicants in the completion of application forms.
2. Funding Approval: Within 30 days after receipt of the application, or cycle deadline, SBEM will evaluate and prepare funding / approval recommendations based upon Sections "B" and "C" above. Requesting agencies will be notified of the results immediately upon completion of this step.

3. Approving Authorities: The Department of Finance & Administration, State Building Energy Management Program is the program manager for the Energy Management Loan Fund and the approving authority for funding. The State Building Commission is the approving authority for all projects to be funded by the Energy Management Loan Fund. The requesting agency is responsible for pursuing project approval from the State Building Commission.
4. Loan Establishment: Funding approval will be based upon the total loan amount requested. The amount loaned will be limited to actual project cost, not to exceed approved funding. A monthly payment schedule will be established to reflect the actual project cost plus 5% interest (APR), as determined at "project close-out", with the number of payments equal to the Simple Payback in months. Payments will begin the next fiscal year after project completion (1 year warranty inspection).
5. Implementation: This program provides funding only. All project management will be accomplished through the agencies' usual SBC project management process. Progress reports will be provided by the Applicant Agency to SBEM for tracking purposes.
6. Monitoring: The Applicant Agency will submit routine (annual) energy consumption data for the subject building in a format acceptable to SBEM.
7. Reporting: SBEM will report at least annually to the Governor, the State Building Commission, interested Legislators, and Applicant Agencies the following information: number of applications submitted, funds provided, energy saved, and potential savings generated by operation of the Energy Management Loan Fund.

ENERGY MANAGEMENT LOAN FUND PROJECT APPLICATION

Application Number: _____												
Rec. Date: _____	COST (\$)	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <th style="width: 50%; padding: 5px;">PROPOSED</th> <th style="width: 50%; padding: 5px;">ACTUAL</th> </tr> <tr> <td style="height: 20px;"></td> <td style="height: 20px;"></td> </tr> <tr> <td style="height: 20px;"></td> <td style="height: 20px;"></td> </tr> <tr> <td style="height: 20px;"></td> <td style="height: 20px;"></td> </tr> <tr> <td style="height: 20px;"></td> <td style="height: 20px;"></td> </tr> </table>	PROPOSED	ACTUAL								
PROPOSED	ACTUAL											
Accept Date: _____	PAYBACK (YRS)											
Appr. Date: _____	IRR											
Approve By: _____	BENEFIT / COST											

(SBEM USE ONLY)

**1. AGENCY
INFORMATION:**

Department: _____

Fund, Allotment Code: _____

Cost Center: _____

**2. PROJECT
COORDINATOR:**

Name: _____

Address: _____

Telephone: _____

3. PROJECT LOCATION:

Facility / Campus: _____

Building(s): _____

Project Address: _____

4. PROJECT DESCRIPTION:

5. PROJECT BUDGET:

Attach a contractor's proposal or designer's estimate for this project and summarize as follows:

a. Materials _____
 b. Labor _____
 c. Sub-Contractor Cost _____
 d. Design & Engineering _____
 e. Contingency @ _____ % _____
 f. **SUB-TOTAL: (A+B+C+D+E)** \$ _____

g. IN-HOUSE DESIGN & ENGINEERING _____
 h. IN-HOUSE LABOR _____
 i. OTHER IN-HOUSE COSTS _____
 j. **SUB-TOTAL IN-HOUSE COST (G+H+I)** \$ _____

k. **TOTAL PROJECT BUDGET (F+J)** \$ _____

l. **TOTAL LOAN REQUEST** (not to exceed line F) \$ _____

6. Estimated Useful Equipment Life (years) _____

7. Estimated Salvage Value (end of useful life) \$ _____

8. ANNUAL ENERGY SAVINGS / COST AVOIDANCE:

Provide the estimated energy savings and resulting cost avoidance if this project is implemented. Show calculations and methodology used, including cost avoidance, by fuel type as follows:

FUEL TYPE	QUANTITY ENERGY SAVED	UNITS	\$ / UNIT	ANNUAL COST AVOIDANCE

ANNUAL COST AVOIDANCE \$ _____
 9. ANNUAL O&M SAVINGS:

a. Annual Operations & Maintenance _____

Savings \$

b. Explain O&M Savings:

TOTAL ANNUAL SAVINGS: (8+9) \$

10. PROJECT SCHEDULE:

List the major project activities, significant milestone dates and total project time:

11. DESIGNER / ENGINEER STATEMENT:

I verify that the estimates of costs and projected savings provided herein were obtained by accepted engineering and accounting practice, and are accurate to the best of my knowledge.

Engineer / Architect Name: _____

Engineer / Architect Signature: _____

Date Signed: _____

12. APPLICANT AGENCY STATEMENT:

I have reviewed this application, and do hereby approve its submission to the State Building Energy Management Program. I understand that the funding provided under this program is a loan and that this agency will make periodic payments based upon actual project costs, not to exceed the amount on line 5.L., plus 4% interest over a time not shorter than the Simple Payback as described in the Application Information Sheet.

Agency Head

Name: _____

Signature: _____ Date: _____